

THE LINGLE-AIONA ADMINISTRATION

LOWERING the cost of living.
PROTECTING residents and visitors.
HELPING keiki and kupuna.
SUSTAINING integrity in government.
INVESTING in Hawai'i's future.



2005 INITIATIVES

Working together to create a better future
for the people of Hawai'i.



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The life of the land is perpetuated in righteousness



ALOHA!

As we begin our third year as your Governor and Lt. Governor, we are as optimistic as ever regarding the unique opportunities we have to implement far-reaching actions to improve the lives of our residents and visitors.

There are many reasons for our upbeat attitude, including a vibrant and robust economy that is outperforming in many ways the nation as a whole. Tourism, the construction industry and the real estate market are especially strong. Personal income is up, bankruptcy filings are down and we enjoyed the lowest unemployment rate in the country for much of 2004.

Certainly there are challenges which remain. These include traffic congestion, affordable housing, crime and substance abuse, environmental threats and an education system from pre-school through the university system that is showing signs of progress but still requires much-needed improvements.

In addition, our most vulnerable residents require immediate assistance. We must pass tax cuts and initiatives which will help our keiki, our kupuna and those individuals and families who lack the wherewithal to maintain the daily necessities of life including food, shelter and quality healthcare.

Our Administration pledges to you to work closely this session with the federal government, the state legislature, the counties, the private and nonprofit sectors and concerned community members to make 2005 a time of significant progress.

Throughout this booklet you will be able to read a brief overview of our proposed common-sense legislation, divided into five overarching themes that set forth our plan. They are: lowering the cost of living, keeping Hawai'i's residents and visitors safe, helping our keiki and kupuna, sustaining integrity in government and investing in Hawai'i's future.

As always, we welcome and encourage your comments, suggestions and kokua. We are in this process together, and together we will look back at this legislative session as a time when we authored beneficial laws which laid the foundation to ensure the well-being of future generations.

Mahalo for taking the time to read our 2005 Initiatives.

Sincerely,

LINDA LINGLE
Governor

JAMES R. "DUKE" AIONA, JR.
Lt. Governor

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LOWERING THE COST OF LIVING

~ CUTTING TAXES ~

As the cost of living increases in Hawai'i, many families struggle to make ends meet. We know that many families are having a hard time paying for the bare necessities such as food, shelter and medical care. Our Administration is committed to helping people by cutting taxes and increasing cash assistance to low-income families.

- Providing residents earning \$40,000 or less tax credits for purchases of food, medical services and non-prescription medicines. The tax credit would be \$27 per person in the first year and increase to \$55 per person in future years. As an example, a family of four would reduce their taxes by \$220 in 2006. This tax relief would benefit 40% of Hawai'i's taxpayers or approximately 515,000 people.
- Raising the standard income tax deduction for lower wage earners, thereby increasing their take-home pay. Under this plan, an individual deduction would increase from \$1,500 to \$2,500, and the deduction for a married couple would increase from \$1,900 to \$5,000. As a result, more than 27,000 tax filers would no longer have to file returns, and 78,000 filers would see their taxes reduced.
- Increasing direct cash assistance to low-income families with children using federal funds from the Temporary Assistance for Needy Families program (TANF). This "Reward Work" program, along with other targeted programs, would direct \$120 million in federal funds to the most needy families over the next two years, encouraging more parents to reach self-sufficiency.



~ CREATING MORE AFFORDABLE HOUSING ~



Our Administration is deeply concerned about the lack of affordable housing and the homelessness problem in our islands. We believe the following proposals will effectively address these challenges by:

- Streamlining the county and state approval processes for affordable housing projects by exempting development of 50 acres or less from review by the Land Use Commission (LUC).
- Changing the LUC's role to one of overseeing land use designations and empowering counties to establish rural and urban district boundary amendments. The commission would continue to be responsible for hearing appeals on county and land use determinations.
- Lowering housing construction costs by allowing smaller contractors to work together as a group to obtain less expensive insurance rates.
- Prohibiting raids on those state funds set aside for housing. Over the past 10 years more than \$200 million has been diverted from housing programs.
- Granting developers a \$4,000 General Excise Tax credit for the first 2,500 units of affordable housing developed between mid-2005 and the end of 2007.
- Expanding eligibility for the State Rent Supplement Program to cover more "gap group" families who earn too much for federal help but too little to pay market rental rates.
- Directing more existing tax revenue into the Rental Housing Trust Fund by adding \$2 million annually of existing tax revenues to the Fund to support construction of up to 450 additional rental units each year.

- Providing surplus state lands to for-profit developers and non-profit organizations for construction of affordable rental projects.
- Providing \$10 million in bond funds annually to the Housing and Community Development Corporation of Hawai'i to renovate public housing.
- Authorizing the Department of Hawaiian Home Lands (DHHL) to enter into joint agreements with private developers to build master-planned communities.
- Allocating \$10 million annually to DHHL to produce an estimated 700 additional housing units each year for Native Hawaiians.

~ HELPING BUSINESSES AND CONSUMERS ~

To help a wide range of Hawai'i's businesses and consumers, our Administration proposes:

- Eliminating deadlines related to unclaimed property so it goes to the rightful owners or heirs as opposed to the state. Over \$104 million in cash is waiting to be claimed, plus stocks, bonds and other valuables in the state vault. The web site for unclaimed property is: www.hawaii.gov/budget/uncprop.
- Giving the Department of Commerce and Consumer Affairs the flexibility to lower fees for professional licenses and other services when possible.
- Rebating to cable television customers fees collected from them which exceed what is needed to regulate the industry.
- Mandating health insurers to rebate excess financial reserves.
- Allowing the state insurance commissioner to provide compensation to victims of insurance fraud.
- Establishing insurance fraud as a felony crime for repeat offenders.
- Allowing victims of identity theft to "freeze" access to their credit reports. Credit reporting agencies could not release a victim's credit history, thereby stopping identity thieves from establishing new accounts in the victim's name.

KEEPING RESIDENTS AND VISITORS SAFE

~ FIGHTING CRIME ~



Our Administration is committed to ensuring the safety of Hawai'i's residents and visitors. We want to provide law enforcement and the courts the tools they need to prevent crimes from occurring and to apprehend, convict and rehabilitate those who commit offenses. The measures we propose are in keeping with laws enacted in many other states. Our initiatives include:

- Revising Hawai'i's 30-year-old electronic surveillance law so it is comparable to the federal version and can be used immediately.
- Allowing prior convictions involving dishonesty to be admissible in court. This would require a constitutional amendment.
- Giving mandatory 30-year sentences to habitual violent offenders, modernizing and updating our repeat offender laws, and preventing persons convicted of class "A" felony drug offenses from receiving lenient sentencing.
- Allowing police and public safety officials to use forfeited firearms.
- Discouraging money laundering by requiring money transmitters to register with the state.
- Expanding protections already granted to law enforcement personnel to also cover civil defense workers.
- Making all paroling authority members full-time.
- Expanding our DNA registry laws to help catch and convict those who are guilty and free those who are innocent.

~ IMPROVING TRAFFIC SAFETY ~



Far too many people have lost their lives or sustained serious injuries in traffic accidents. By strengthening our traffic safety laws, the number of accidents will decrease and lives will be saved. Our initiatives include:

- Establishing a three-stage driver's license program for persons under the age of 18. This would involve a learner's permit at age 15 ½, a provisional license that restricts driving hours for 16-year-olds, and a four-year license for 17-year-olds who complete training and maintain a clean record.
- Immediately suspending the driver's license of persons convicted of underage drinking, even if they were not operating a vehicle when the drinking occurred.
- Doubling the traffic fines for speeding in construction zones or school zones. Fines would also be doubled on all other streets and highways if the driver is going more than 80 miles per hour or more than 25 miles per hour above the posted speed limit.
- Protecting the right of way of pedestrians by clarifying that vehicles must stop as soon as someone enters a crosswalk.
- Prohibiting the purchase and use of devices that interfere with traffic signals.

~ IMPLEMENTING DRUG CONTROL INITIATIVES ~



The use of “ice” and other illegal substances has destroyed many lives, devastated families and resulted in countless robberies, burglaries and other crimes. We will continue to address this crisis by:

- Making it a crime to manufacture even small amounts of methamphetamine (less than $\frac{1}{8}$ ounce).
- Denying probation to repeat drug offenders.
- Increasing staffing and funding for the Drug Nuisance Abatement Investigation unit.
- Removing people from suspected drug houses by using temporary restraining orders (TROs).
- Restricting sales of pseudoephedrine chemicals, which are used to manufacture “ice.”
- Restricting sales of certain drug paraphernalia, such as flasks and pipes, in keeping with federal laws.
- Continuing approximately \$20 million annually for integrated drug treatment and prevention programs.
- Providing an additional \$2 million per year for community-based substance abuse prevention programs.
- Providing an additional \$1 million per year for adolescent residential treatment and counseling programs.
- Establishing mandatory jail sentences for adults who buy liquor for minors.
- Subjecting proposed drug treatment facilities to the same community input as other public facilities before they are permitted in neighborhoods.
- Increasing drug treatment programs for prison inmates.
- Working with the University of Hawai‘i and its Board of Regents to limit the sale and advertising of alcoholic beverages on campuses statewide.

HELPING KEIKI AND KUPUNA

~ PROTECTING CHILDREN ~



Our Administration is committed to increasing the safety of our precious keiki, who represent the future of Hawai'i. In order to fulfill their promising destiny, we will deliver a package to accomplish the following:

- Increasing funding and staffing for the Child Support Enforcement Agency (CSEA).
- Authorizing CSEA to offer services to parents who don't have custody of their children.
- Improving child support collections and ensuring that children have appropriate health coverage.
- Coordinating CSEA and Family Court decisions to simplify notification of who is responsible for providing child support.
- Encouraging cooperation between neighbor island counties and the Office of Youth Services to develop alternatives for youth detention. This would eliminate the need to send neighbor island children to the Hawai'i Youth Correctional Facility on O'ahu.
- Allowing deputy sheriffs and narcotics officers to report cases of child abuse and place children in protective custody.
- Increasing foster care out-of-home payments by \$3 million.
- Increasing outreach funding for the Hawai'i MEDQUEST health services program to accommodate an additional 1,000 needy children.
- Continuing outreach efforts to enroll additional children and pregnant women in the Medicaid program.

- Requiring the state Department of Education (DOE) to process Medicaid claims for children with special needs, as is the case with public school districts in other states. Currently DOE does not submit claims for federal reimbursement of Medicaid-eligible services, meaning Hawai'i taxpayers bear the financial burden. (This change would save the state an estimated \$12 million per year.)

~ PROTECTING VULNERABLE ADULTS AND FAMILIES ~



We are dedicated to preserving the dignity of life for all the people of Hawai'i. In order to fulfill this commitment to the homeless and mentally ill, our plans call for:

- Increasing financial support for programs serving the homeless, such as expediting the number of people who receive temporary shelter, stepping up outreach services and bolstering grants that provide basic living expenses for needy families.
- Providing \$5.4 million in emergency funding for developmentally disabled persons and \$12.6 million for adult mental health services.
- Continuing the high levels of service that resulted in the removal of court supervision at the state hospital for persons with mental illness.

~ PROMOTING HEALTH INITIATIVES ~



Promoting a healthier Hawai'i continues to be among the top priorities of our Administration. We will accomplish this by:

- Making sure that insurance coverage for certain severe mental health problems is on par with coverage for physical health problems.
- Encouraging competition in the medical field by fast-tracking certification of health maintenance organizations when appropriate.
- Adopting national standards for health insurance capitalization to help health insurers remain solvent.
- Reforming medical malpractice laws by capping attorney fees, non-economic damages and punitive damages; and limiting joint and several liability.
- Providing limited immunity to protect physicians from lawsuits when they provide emergency care without compensation.

~ ADDRESSING LONG-TERM LIVING ~



Hawai'i residents are blessed in that we enjoy a longer life expectancy than the rest of the nation. With this blessing comes challenges, however, as we strive to find a better way to provide quality, long-term care for our rapidly growing senior citizen population. Today, 127,000 of our residents are 70 years or older. By 2025, the number will be 209,000, a 64% increase. Time will not stop while we search for the perfect solution. Therefore, our Administration is proposing the following initiatives:

- Providing refundable tax credits up to \$1,000 for individuals who purchase long-term care insurance.
- Proposing tax credits for employers who purchase long-term care insurance for their employees. Employers would be encouraged to purchase insurance plans that pay benefits for community-based or home-based care.
- Creating a state pharmacy assistance program to help elderly and disabled persons purchase prescription drugs under the new Federal Medicare Drug Benefit program.
- Providing full funding for the Hawai'i Health Systems Corporation (HHSC), the largest long-term care provider in the state. HHSC has significantly expanded its elder care programs on five islands, and is building a new \$28 million Veteran's Care Home in Hilo.

~ IMPLEMENTING GENERAL PROTECTIONS ~



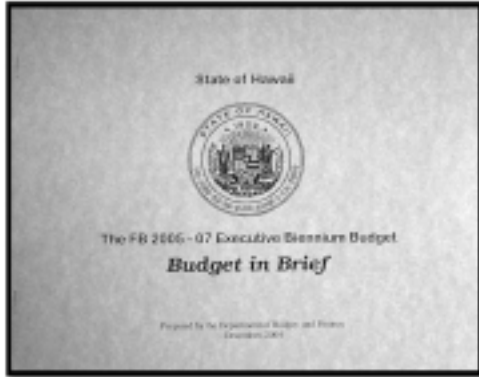
To enhance the overall safety and well-being of our residents and visitors, we propose the following measures:

- Allowing police to enter public housing areas to enforce trespassing laws.
- Requiring criminal background checks for prospective and current state employees and contractors who work with children, disabled persons, senior citizens and those in ill health.
- Ratifying the National Crime Prevention and Privacy Compact, which would facilitate the sharing of criminal history information.
- Allowing criminal history checks via the Internet and moving toward a fingerprint-based system of maintaining criminal history records.
- Clarifying that law enforcement officers are required to enforce quarantine orders against persons with infectious diseases.
- Allowing retired senior citizens to collect more unemployment benefits by not deducting monthly pension payments from their unemployment insurance payments.
- Providing the State of Hawai'i the same legal protections as the United States and our sister states by clarifying how the state is deemed liable in civil cases.

SUSTAINING INTEGRITY IN GOVERNMENT

When the people of Hawai'i elected us to office, we pledged to bring about a "New Beginning" for our state, which included restoring trust and integrity in government. Now, in the middle of our first term, we pledge to sustain integrity and honesty in government.

~ MAINTAINING FISCAL INTEGRITY ~



Our Administration has consistently supported sound fiscal management policies to ensure that your hard-earned tax dollars are spent wisely. Therefore we propose the following:

- Requiring the legislature to pass a balanced budget. By law, the Governor is required to submit a balanced financial plan.
- Allowing the state to restructure its debt payments to meet fiscal needs.
- Protecting special funds from "raids." This would preserve the integrity of the Highway Fund, Housing Funds and Hurricane Relief Fund, among others. (It is important to note that the Administration's six-year financial plan is balanced and does not require raids of special funds.)
- Enforcing the current law prohibiting raids of the Employee Retirement System. Since 1968 nearly \$1.7 billion has been diverted from retirement funds – monies that should have been used to guarantee our current and retired workers a secure financial future.

- Eliminating the unsound practice of paying state wages with borrowed money from bond sales. In our budget submitted to the legislature, wages for hundreds of state positions were shifted to regular operating expenditures.
- Requesting the legislature to present its budget in a clear and understandable format so taxpayers could see how their money is being spent. This would be in keeping with our Administration's easy-to-read "Budget in Brief" document outlining spending proposals.

~ PROMOTING HONESTY IN GOVERNMENT ~



Our Administration is committed to openness, honesty, fairness and accountability in government. Therefore we propose the following:

- Imposing harsher penalties for bribery of public officials and making "unlawful gifts to public servants" a crime. State employees convicted of bribery charges would forfeit their rights to retirement pay and health benefits.
- Introducing a state constitutional amendment to count blank votes on ballots as "blank" rather than "no," as they are currently tallied.

- Promoting transparency in elections by requiring the posting of results at each polling place.
- Ensuring election integrity by requiring a backup paper verification for electronically-cast ballots.
- Requiring an automatic recount in elections that result in 0.5% difference between the vote totals for the candidates.
- Reforming campaign spending laws to increase criminal penalties for willful violations, mandate electronic filings for all state elective offices, and prohibit contributions of campaign funds to nonprofits and other charitable organizations.
- Ensuring that state government keeps its word, even when it has made an error. This would authorize the Employee Retirement System board to settle certain cases in which retirees or current employees are provided with erroneous information.
- Allowing the state to offer apologies and condolences when mistakes are made, without fear of lawsuits.

INVESTING IN HAWAII'S FUTURE

~ EXPANDING EARLY CHILDHOOD EDUCATION ~



It is essential that our keiki enter school with the knowledge and skills required to succeed. In Hawai'i, \$100 million is spent annually on childcare programs, including significant state, federal and private sector expenditures. We must do more, however. To address this challenge our Administration proposes:

- Allocating an additional \$20 million in federal funds targeted for early childhood education and preschool child care.
- Providing an additional \$5 million in state assistance to expand Preschool Open Doors, thus allowing more low-income families the opportunity to enroll their keiki in quality childcare programs. This would focus on children who are ages 3 and 4, when rapid brain development is crucial to future success. Funding would go directly to childcare providers and be coupled with outreach and information programs.
- Offering financial incentives for childcare services to voluntarily adopt the Hawai'i Preschool Content Standards and to hire teachers who meet established training standards.
- Working closely with the community college system to develop a certified curriculum for persons entering the early childhood education profession. This would produce trained childcare providers and establish opportunities to staff additional preschools.
- Allowing and encouraging preschool providers to use excess public facilities, including school buildings.

~ SUPPORTING CHARTER SCHOOLS ~



Not all children thrive in traditional classroom settings. Charter schools, with their innovative teaching methods and curricula, offer much-needed alternatives that deserve our support. Therefore we propose the following:

- Removing the restriction on the number of new charter schools and allowing more chartering authorities. (Currently Hawai'i has 27 charter schools serving 5,700 children.)
- Addressing financial shortfalls by changing the funding formula for charter schools to use more accurate and up-to-date data.
- Allowing charter schools to receive federal funds directly through the establishment of a local education agency.
- Authorizing charter schools to receive land, buildings and capital improvement project monies. In addition, charter schools would have first priority to use excess or underutilized Department of Education facilities and equipment.
- Allowing the establishment of a non-contiguous charter school district for the management of charter functions.
- Permitting charter schools to contract for centralized administrative services such as payroll and food service.



~ INCREASING FUNDING AND AUTONOMY FOR THE UNIVERSITY OF HAWAII ~



Supporting higher education is one of the best investments our state can make. Students receive better educations, companies and the economy benefit from a skilled and knowledgeable workforce, community service programs are enhanced, and research holds the potential to improve our lives. Our Administration wants to increase support for the University of Hawai'i system by proposing the following initiatives:

- Allocating \$20 million in fiscal year 2006 for new scholarship funds to provide greater access to higher education.
- Providing \$25 million in additional support for operating priorities that University of Hawai'i officials deem most important.
- Providing \$80 million to rebuild and replace deteriorated buildings so our state campuses are safe, clean and well maintained.
- Providing \$20 million to build the long-promised Hawaiian Language Building at University of Hawai'i – Hilo.
- Completing the University of Hawai'i medical school campus in Kaka'ako, and entering into public-private partnerships to fulfill our commitment to construct the Cancer Research Institute.
- Creating greater autonomy for the University by returning to it the authority to purchase its own goods and services.
- Extending the power of the University to operate its own accounting and financial systems that meet generally accepted accounting principles applied to colleges and universities nationwide.

- Permitting the University to enter into long-term financing agreements with private partners to construct new facilities and campuses, such as the ones in West O‘ahu and West Hawai‘i.
- Authorizing the University to adopt its own rules to govern public and private activities on the lands it owns and manages.
- Allowing the University to borrow money using revenue bonds for construction and operation of student housing. Up to \$250 million could be borrowed to repair existing dormitories and build new ones. Student rent payments would be used to repay the bonds.

~ PROMOTING ECONOMIC DEVELOPMENT ~



This is truly an exciting and opportune time for Hawai‘i’s robust economy, which has rebounded dramatically from the doldrums of the 1990s. We want to continue the positive momentum by proposing the following:

- Encouraging development of the high technology industry by providing \$36 million in tax credits through the Hawai‘i Strategic Investment Fund.
- Establishing a 20% business tax credit to encourage the private sector to partner with the University of Hawai‘i on research projects. This would be combined with \$3 million in state funds and \$6 million in matching federal funds from the National Institutes of Health through the Experimental Program to Stimulate Competitive Research.
- Supporting agricultural operations by offering tax and job-creation incentives.

- Strengthening Hawai'i's film, TV and creative media industries by offering tax credits of up to 15% on O'ahu and up to 20% on the neighbor islands.
- Promoting Hawai'i as a center for international insurance expertise by creating the Asia-Pacific Risk Management and Insurance program at the University of Hawai'i.
- Addressing workforce shortages by using federal funds and grants to prepare students to enter rapidly growing fields, such as long-term care, nursing, early childhood education and the building trades.
- Pumping an additional \$400 million back into the economy to encourage job creation by lowering unemployment insurance costs to Hawai'i taxpayers.
- Reforming Workers' Compensation laws to increase penalties for fraud.
- Instituting cost-control reforms to lower Workers' Compensation premiums.
- Allowing the insurance commissioner to investigate fraud in all lines of insurance.
- Significantly increasing investment in our transportation infrastructure, including airports, roads and harbors. This would include \$40 million in reimbursable improvements needed to accommodate the interisland Superferry.

~ PROTECTING HAWAII'S ENVIRONMENT ~



Lake Wilson before (top) and after (right) state clean-up project.

Protecting and preserving Hawai'i's unique and fragile environment is essential to maintaining our way of life. To honor our natural resources, preserve native species of plants and animals and be good stewards of the 'āina we propose:

- Providing additional funding for pest control and plant quarantine.
- Stepping up efforts to prevent the brown tree snake from becoming established in our islands.
- Continuing allocations of \$4 million per year to control invasive species, the largest amount ever earmarked by the state.
- Fulfilling long-term commitments to upgrade state parks and small boat recreational harbors through a multi-year program. Bond funds totaling \$10 million for parks and an additional \$10 million for small boat harbors would be used to repair the crumbling infrastructure.
- Investing in the preservation and maintenance of the state's irrigation and water distribution systems in Waimanalo, Waimea and on Moloka'i.
- Tightening controls and posting notices to the public on the use of pesticides.
- Promoting private sector efforts to voluntarily clean contaminated private lands.
- Increasing penalties for desecrating historic and culturally sensitive sites and using the resulting fines to enhance preservation efforts.